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Military Market

MAGAZINE ... PUBLISHING COMPANY ...

MM MILITARY MARKET
475 SCHOOL STREET, S.W., WASHINGTON, D.C. 20024

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SRI Acquisitions
7101 Wisconsin Avenue
Washington, D.C. 20014

1 copy December 1980 MM

Store Bakeries

Frosting On the Cake

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM DECEMBER 1980

ARMY TIMES PUBLISHING COMPANY VOLUME 31, No. 12

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Military Market is published by the Army Times Publishing Company, 475 School St., S.W., Washington, DC 20024. Single copies $1.00, except January Buyers Guide and July Almanac and Directory issues, $2.50 each. Yearly subscriptions within U.S., $10.00; to civilian addresses outside the U.S., $11.25 per year. Controlled circulation paid at Hanover, NH. Postmaster: Send form 3579 to Military Market, 475 School St. S.W., Wash., DC 20024.

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ARMY TIMES PUBLISHING COMPANY — TRADE DIVISION
MILITARY MARKET (COMEX)
(USPS 911-580)

JEWELRY AND WATCHES

A Little Glitter But Lots To Watch

By Susanne D. Williams

Jewelry sales are barely holding their own. Run-away costs for precious metals and stones have driven up prices that don't go over too well in an already strained economy. But jewelry departments' greatest strength lies in watch sales which have been better than ever throughout this year.

JEWELRY, like clothing, has traditionally reflected the status and social position of its wearer. But the fine lines separating what was right for pauper and potentate respectively have been softened in modern times: Gold, silver and precious stones have become mass market items.

But history may repeat itself. Gold prices, fluctuating from an all-time high of $800 per ounce last winter to a still hefty amount of around $700 at the time of writing, seem to put gold and gold jewelry back into a category reserved for potentates alone. "Gold is not stable," Joe Schlussel of the **Diamond Registry** told MILITARY MARKET. "It's too political."

Diamond prices, albeit less erratic, are growing as well, with flawless one carat stones now commanding as much as $55,000. Overall, however, "the diamond market is pretty stable," a jewelry expert said. "De Beers [the South African mining company which markets 80 percent of the world's diamonds] has a lot to do with it."

Sapphires, rubies and aquamarines have gone up quite a bit, too, an industry source said. Better quality stones are harder to come by and their exportation from their country of origin is sometimes complicated by national laws.

Silver has fallen from last winter's close to $40 per ounce record high, but still hovers around $22 per ounce, a price that makes this once-a-good-deal metal a precious commodity.

Trading Down

For average jewelry customers, enamored with the glittering goods but not willing to spend various and sundry paychecks on a ring alone, trading down has become the only answer.

The jewelry industry has realized the need for cheaper items and now offers more and more pieces in 10 carat gold with small stones to boot. "The quality of jewelry on a retail level is, well, not poor, but only standard," a jewelry expert told MILITARY MARKET. Better-than-standard jewelry would be much too expensive for the general retail level.

For the military market, with its ceilings and carat limitations, the trade-down picture translates into a limited array of merchandise in which diamond, cocktail and wedding rings with small to medium sized stones prevail. "The ceilings really should be adjusted," an industry source said. "It really holds down what suppliers can do."

But ceilings and limitations notwithstanding, military customers, just like civilian shoppers, can only buy what they can afford. A spot check at a Washington area exchange showed a price range between $12 to close to $2,000 for rings and $20 to close to $200 for chains — but the popular range lies in the lower third of the spectrum. According to one supplier of diamond rings, $350 to $400 is the general range for military customers.

The Economic Malaise

But even scaled-down caratage for gold and stones with lower to medium price points are not capable of injecting much excitement into the jewelry department. Both civilian and military unit sales are currently down and dollar volume just stays about the same as it was last year, industry souces indicate. "There is a definite slowdown in unit sales," a supplier said, although total sales are not off "drastically."

Part of the reason for the constant dollar sales volume lies in the fact that military shoppers, often young, are still getting engaged and married in the traditional manner — that is, diamonds and all. They are also buying insignia rings with military emblems or academy seals.

Such recognition jewelry is particularly popular in training base exchanges and around service academies. It sells best with "the units that have the most esprit de corps," one supplier told MILITARY MARKET. "The proudest buy the most."

The general economic malaise, coupled with rising prices for precious metals and stones, however, has not left the recognition jewelry untouched. Although most suppliers use synthetic stones — which account for approximately five percent of the production cost for a 10 carat gold ring — there are still labor, casting and tooling costs — and the price of gold.

"Sales have been off by about 10 to 20 percent in unit sales," one supplier told MILITARY MARKET. Sales are also off for another supplier who specializes in base metal rings. Although gold is no factor here, unit and dollar sales are down because "the economy has affected everybody."

The economy has also taken its toll on costume jewelry, often heralded as the inexpensive alternative to the real thing. "As more customers find they can no longer afford 14 carat gold jewelry, the market in costume jewelry will expand dramatically," one manufacturer claims. But the market, according to other industry sources, has recently softened to some degree.

Theoretically, however, costume jewelry has the potential to spur those sales that high-priced "real" jewelry can no longer produce and to offer retailers a profitable alternative. For one, the metals used are inexpensive and not subject to the oscillations of the gold and silver market. In addition, sales per square foot figures — pegged at around $189 in a recent Lebhar Fredman study — are encouraging, especially considering the small space that costume jewelry requires. Furthermore, most costume jewelry sales are of the self-service type and do not require educated — and costly — sales help.

The latter thought can be self-defeating, a **Monet** spokesman told MILITARY MARKET. All retailers are faced with an enormous problem: sales help. As a result, they sell most costume jewelry through self service — but killing sales in the process. "When there is no more service, there is no more fun," he said.

To combat this sluggish sales picture, Monet has come up with

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WHILE digital quartz watches have not fared too well with women, the attraction of quartz watches with their precise timekeeping qualities have universal customer appeal. Featured OPPOSITE PAGE is Timex' line of watches with analog readouts.

ETERNITY rings (OPPOSITE PAGE, INSERT) make glittering gifts for post-engagement and -wedding customers. By Schluger.

ESTIMATED SALES OF JEWELRY AND WATCHES IN MILITARY EXCHANGES

DESCRIPTION	1979	1978	1977
Total Department Sales	**$157,859,900**	**152,500,000**	**$140,499,600**
Watches	$65,196,100	$62,143,700	$56,340,300
Watch Bands	9,155,900	8,387,500	7,446,500
Women's Jewelry	$17,522,400	19,215,000	$16,438,500
Rings	$1[illegible],206,700	$ 17,995,000	$15,033,500
Clocks	$10,734,500	$9,760,000	$7,868,000
Men's Jewelry	$22,100,400	$22,722,500	$19,388,900
Religious Jewelry	$2,999,3000	$3,202,500	2,669,500
Other Items	$12,944,600	$ 9,073,800	$15,314,400

Estimate based on sales by departmental and merchandise line data provided by military exchange systems. Research Dept., Army Times Publishing Company

"Project Potential", a concept according to which the merchandise is sold by "properly" trained sales personnel who, in addition to their salary, receive commissions on items sold. The project has already resulted in a 60 percent increase in sales in 25 stores around the nation, the Monet spokesman said.

For exchanges, commission sales cannot be realized, but bringing the costume jewelry back in or onto the jewelry counter may have some positive effects. Not only does it provide the service costume jewelry customers may be looking for, it also helps combat one of the biggest problems this merchandise faces: Theft.

Hefty Thefts

"Five to seven percent of the merchandise is routinely stolen," the Monet spokesman said. The picture looks similar in exchanges. "Everyday we find pieces missing," one saleswoman told MILITARY MARKET. Sometimes only one piece of a set disappears — but even one missing piece is as bad as the theft of a set.

Although costume jewelry is usually displayed in close proximity to jewelry counters, it is still not close enough for sales help to keep it under close scrutiny. Moving the merchandise back on the counters, on the other hand, presents the problem of overcrowding and cluttering up the better merchandise in the showcases below. In addition, only two stands are allowed on each counter, a saleswoman said — and smaller jewelry items, wrist bands and watches already take up that quota.

One answer to keep a tighter rein on costume jewelry is to enlarge counterspace and put the merchandise on top. Locking it behind the doors of showcases is a useless endeavor; "it prevents customers from buying it," the Monet spokesman said.

But theft can be as much an internal problem that finds its culprits among store personnel. "The bulk of theft comes from within a store," one source said. Faulty record keeping, shoddy bookkeeping and ordinary theft of the merchandise right from the stands is an occurence that happens "very, very often."

In-store theft by store personnel is a problem security guards may have to address with the same diligence with which they must watch over customers, especially since shoplifters of both kinds seem to be more interested in openly displayed merchandise than they are in items that are securely locked or watched over by hawk-eyed sales personnel.

Real jewelry, for instance, is shown with great care. Salespeople are instructed to show no more than a few selected items and to keep an eye on them all the time. As a result, theft of real jewelry is less of a problem than that of costume jewelry.

Theft does not only result in financial losses, it also makes stands look unorderly and understocked. And a department that specializes in selling glittering glamor is somewhat more pressed than others to present a pirate's trove image of great abundance. An increased proximity between costume and real jewelry may help present such an image and can also hide some gaping holes in display boxes that are not refilled by newly ordered merchandise. After all, reordering can often take a number of weeks, a saleswoman told MILITARY MARKET.

Store-level Problems

While military shoppers have the option of selecting merchandise from catalogs available at the jewelry counter and can thus commit themselves to merchandise not even in the store, the catalog also shows pieces that exchanges do not carry. Shoppers, as well as sales personnel, wish at times that such merchandise should be included in the jewelry assortment, MILITARY MARKET learned, and suggestions generated on a local level are sometimes presented to jewelry buyers.

While local input in centralized buying decisions can be of help, coordination between local store and centralized organization is particularly important in the area of sales training.

Jewelry, after all, requires some rudimentary gemological knowledge. Military shoppers, especially those who have travelled and shopped in foreign coun-

tries, are often quite knowledgeable about gems and appreciate the same in sales personnel.

Although regional know-how courses provide a much needed service, their general effect on local stores is often limited by the high rotation rate of sales personnel. As a result, constant in-store training is necessary to maintain a fairly educated sales force. While some exchanges provide the necessary literature, there is often no opportunity to study these materials in depth. A sales clerk reading behind the counter conveys a picture of idleness that neither store managers nor shoppers like to see.

To avoid such problems, certain periods could be set aside for store personnel to catch up on their reading. Slow times in the store may be the best time to arrange for such auto-didactic learning processes — and periodic tests on the subject matter could assure that such time is not wasted.

Sometimes even suppliers, especially watch suppliers, are willing and prepared to take over the educational function and have films and training guides available to do the job.

Watches Clock Sales

Watches, just like jewelry, require some degree of educational sophistication, especially quartz watches, which have been invading the jewelry department in increasing numbers.

"Quartz comes in very strong," a **Timex** spokesman told MILITARY MARKET. "Very soon, it may be an every day watch." A **Seiko** MSM agrees. Because of quartz watches' precise time-keeping and increasing affordability "the watch industry is going to be all quartz one day," he predicted.

Although "the consumer has some understanding of quartz watches," more sophisticated items still necessitate well-founded information.

Sales people are "still a very important factor in the sale," the Timex spokesman said, especially since there are so many watches on the market. "Any contact you have with exchange personnel is worthwhile," the Seiko MSM told MILITARY MARKET: It helps to make the sales clerk more comfortable with the product and also fulfills his or her "basic human need to know."

Such carefulness seems to pay off. Military watch sales are higher than ever. Timex just broke an all-time record in military sales; for **Bulova** "business has gone up drastically over the past five years," a sales manager said, and sales figures for Seiko are already ahead of those for all of 1979. "Watches have a good history with the military," the Seiko MSM said. "They have always generated good profits."

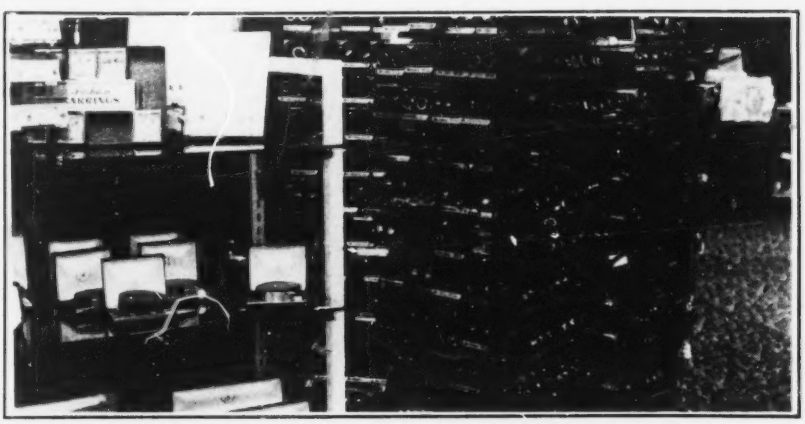
Part of the watch popularity is undoubtedly price, a factor that is beginning to prompt shoppers into multiple or impulse purchases. Although, statistically speaking, most people replace their watches only every four and a half years, more and more people now buy an extra watch in addition to the one they already have. "Watches are jewelry," the Timex spokesman said, and as jewelry pieces they are required to fit different lifestyles and occasions.

Given their aesthetic appeal, watches, particularly those for women, must be styled in a number of different ways in order to be attractive to different tastes. Digital watches, however, are limited in design. "It's difficult to make a digital watch really beautiful," the Timex spokesman said. And sometimes their size is just too big to have great appeal for women.

But quartz watches do come with analog readings, too, and Timex, which has recently introduced a new line of quartz watches for women, "can't make enough of them." Analog watches still have it over the digital ones, with two out of three watches being of the analog type.

Since sales of women's and men's watches are about evenly divided, the wide assortment of merchandise suppliers offer is guaranteed to please practically everybody. "There is a tremendous assortment in the military," the Seiko MSM said. Together with the "great savings" at which military shoppers can puchase the merchandise, at least that part of jewelry departments looks healthy and promising. For watches "there is no recession in the military," the Timex spokesman said.

Exchanges may want to analyze the watch success story which may provide some helpful insights into jewelry sales as well. A wide selection of merchandise, including more semi-precious stones, updated costume jewelry and an fashionable costume jewelry and an updated assortment of currently popular jewelry items, as well as well-informed sales prsonnel may just take the dullness out of the sales figures of the glittering goods. (MM)



EDUCATED sales help is of great importance in jewelry departments (LEFT, ABOVE). But high rotation rates of sales personnel necessitates constant in-store training.

COSTUME jewelry, although potentially profitable, often leads a wallflower existence away from the jewelry counter. Closer proximity may increase sales and reduce the problem of theft.

Military Market INDEX

COMMISSARIES

		AUGUST			YEAR-TO-DATE		
		CY'80	CY'79	% CHANGE	CY'80	CY'79	% CHANGE
AIR FORCE	CONUS	$119,497	$115,603	+3.4	$927,620	$876,226	+5.9
	OVERSEAS	24,867	22,032	+12.9	189,947	168,741	+12.6
	TOTAL	144,364	137,635	+4.9	1,117,567	1,044,967	+7.0
ARMY	CONUS	93,704	86,840	+7.9	702,624	654,196	+7.4
	OVERSEAS	28,080	25,688	+9.3	215,280	194,043	+10.9
	TOTAL	121,784	112,528	+8.2	917,904	848,239	+8.2
NAVY	CONUS	47,122	44,846	+5.1	366,088	348,234	+5.1
	OVERSEAS	5,793	5,344	+8.4	44,803	41,021	+9.2
	TOTAL	52,915	50,190	+5.4	410,891	389,255	+5.6
MARINES	CONUS	8,539	8,196	+4.2	74,335	70,210	+5.9
	OVERSEAS	165	151	+9.3	1,198	1,199	-0.1
	TOTAL	8,704	8,347	+4.3	75,533	71,409	+5.8
COAST GUARD	CONUS	458	402	+13.9	3,582	3,332	+7.5
	OVERSEAS	138	134	+3.0	1,098	1,002	+9.6
	TOTAL	596	536	+11.2	4,680	4,334	+8.0
ALL COMMISSARIES	CONUS	269,320	255,887	+5.2	2,074,249	1,952,197	+6.2
	OVERSEAS	59,043	53,349	+10.7	452,326	406,006	+11.4
	TOTAL	$328,363	$309,236	+6.2	$2,526,575	$2,358,203	+7.1
GROCERY STORES	U.S.[1]	$18.683 bil.	$16.560 bil.	+12.8	$138.799 bil.	$124.819bil.	+11.2

EXCHANGES

AAFES	CONUS	$194,855	$168,860	+15.4	$1,411,330	$1,248,001	+13.1
	OVERSEAS	131,538	115,453	+13.9	1,028,532	894,805	+15.0
	TOTAL	326,393	284,313	+14.8	2,439,862	2,142,806	+13.9
NAVY	CONUS[2]	85,930	75,764	+13.4	613,258	537,193	+14.2
	OVERSEAS[2]	29,951	28,338	+5.7	229,975	211,801	+8.6
	TOTAL[2]	115,881	104,102	+11.3	843,233	748,994	+12.6
MARINES	CONUS	24,761	22,211	+11.5	177,743	160,800	+10.5
	OVERSEAS	3,428	3,018	+13.6	26,913	23,743	+13.4
	TOTAL	28,189	25,229	+11.7	204,656	184,543	+10.9
COAST GUARD	CONUS[3]	5,010	4,796	+4.5	36,520	36,020	+1.4
	OVERSEAS[3]	631	605	+4.3	4,605	4,545	+1.3
	TOTAL[3]	5,641	5,401	+4.4	41,125	40,565	+1.4
MAIL ORDER	CONUS[4]	468	503	-7.0	5,448	4,949	+10.1
	OVERSEAS[4]	1,724	2,890	-40.4	24,852	25,758	-3.5
	TOTAL[4]	2,192	3,393	-35.3	30,300	30,707	-1.3
ALL EXCHANGES	CONUS	311,024	272,134	+14.3	2,244,299	1,986,963	+13.0
	OVERSEAS	167,272	150,304	+11.3	1,314,877	1,160,652	+13.3
	TOTAL	$478,296	$422,438	+13.2	$3,559,176	$3,147,615	+13.1
DEPARTMENT STORES	U.S.[1]	$7.889 bil.	$7.405 bil.	+6.5	$54.568 bil.	$51.102 bil.	+6.8

AAFES and Navy Exchange sales have been adjusted for 1980 and 1979 to reflect the breakout of mail order sales.

Individual figures may not add to totals, due to rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges and exchange sales include concession volume.

[1] Source: U.S. Department of Commerce.

[2] Does not include sales of ship stores.

[3] MM estimate, based upon official data.

[4] Includes consolidated sales for all services, including Coast Guard. Data prior to July 1980 was extracted from respective AAFES and NAVRESSO mail order catalogs.